

## HYPO NOE Group with strong earnings growth in 2023

### Highlights 2023

- Profit before tax at EUR 88.1m up on the previous year (2022: EUR 61.6m)
- Further expansion of core earnings - net interest income of EUR 176.7m up +24.3% and net fee and commission income of EUR 16.4m up +8.9% year-on-year (2022: EUR 142.1m and EUR 15.1m, respectively)
- At EUR 112.8m, administrative expenses were higher than in the same period of the previous year due to inflation (2022: EUR 102.7m), while the CIR remained at a low level of 52.21% (2022: 51.69%)
- The increase in the NPL ratio to a moderate 2.45% as at 31 Dec. 2023 is primarily due to macroeconomic developments (31 Dec. 2022: 1.02%), while the NPL coverage ratio was further increased to 102.9% (31 Dec. 2022: 89.0%)
- Strong CET1 ratio of 20.88% as at 31 Dec. 2023 (31 Dec. 2022: 20.52%)

### Core earnings further expanded

On 7 March 2024, HYPO NOE Group reported its results for 2023. After EUR 61.6m in 2022, **profit before tax** rose by 43.1% to EUR 88.1m in the reporting period. The basis for this strong earnings growth was the continuous expansion of **core earnings**, which at EUR 193.1m were 22.8% above the previous year's result of EUR 157.2m. The result also includes a positive one-off effect from settlement agreements in connection with the legal risk of negative interest rates from corporate loan agreements.

Compared to 2022, **net interest income** rose by 24.3% to EUR 176.7m, while **net fee and commission income** increased by 8.9% to EUR 16.4m despite negative one-off effects. **Administrative expenses** increased to EUR 112.8m due to inflation-related cost increases, compared to EUR 102.7m in the same period of the previous year.

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*„Seizing opportunities and taking action is our motto. For this reason, we are constantly working to further develop our business strategy. The business figures for 2023 reflect the fact that this constant, customer-centred improvement is paying dividends. Despite omnipresent challenges such as high prices and the uncertain economic situation, HYPO NOE remains on course for success and presents itself as a reliable partner.“*

**Wolfgang Viehauser**

Management Board Member Markets and Speaker of the Board

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The **cost/income ratio**<sup>1</sup> (CIR) remained at an almost unchanged low level of 52.21% compared to the previous year (2022: 51.69%), while the **net result** for the reporting period increased from EUR 46.9m in 2022 to EUR 65.9m. All segments contributed to this agreeable operating result, which, in view of the prevailing macroeconomic developments, once again confirms the profitability of HYPO NOE Group's comprehensive customer strategy with a regional focus on the core markets of Austria and Germany.

### Continuation of prudent provisioning policy

In the period under review, **net losses on risk provisions** (ECL) were EUR -27.2m (2022: EUR -3.7m), with the IFRS 9 credit risk model as part of the risk provisioning taking a conservative view of the current difficult conditions in commercial property development, particularly for expected future losses on exposures. At the end of 2023, ECL provisions in the performing loan portfolio (Stage 1 and 2) amounted to EUR 34.9m, which in relation to risk-weighted assets (RWA) still represents a solid level of 89 bps (31 Dec. 2022: EUR 44.4m or 118 bps, respectively). The NPL coverage ratio was further increased from 89.0% as at 31 Dec. 2022 to a significant 102.9%, with the EU average<sup>2</sup> most recently standing at 42.6%.

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*„Despite the higher administrative expenses due to inflation, the cost-income ratio increased only slightly to 52.21% at the end of 2023. The Common Equity Tier 1 capital ratio also remains at an excellent level of 20.88%. To ensure that Lower Austria's Landesbank remains a reliable partner in financial matters in the future by preserving what has been tried and tested and promoting continuous further development.“*

### Udo Birkner

Management Board Member Finance, Risk & Operations

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### Resilient capital and risk profile

At the end of the reporting period, HYPO NOE Group once again reported a well above-average **Common Equity Tier 1 (CET1) ratio** of 20.88% (2022: 20.52%). The capitalisation of HYPO NOE Group thus remained comfortably above target, and at 31 December 2023 just over 8.3 percentage points above the regulatory minimum requirement including SREP.

The Group's **non-performing loan (NPL) ratio** rose to 2.45% in 2023 (31 Dec. 2022: 1.02%), primarily due to macroeconomic developments, and is at a moderate long-term level in view of the prudent provisioning policy, consistent restructuring management and the overall low-risk business model with a focus on infrastructure and residential housing.

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<sup>1</sup> Operating expenses/operating income

<sup>2</sup> Source: European Banking Authority (EBA), EBA Risk Dashboard | Most recently available statistics : as of Sep. 2023 on 26 Feb. 2024

## Refinancing programme for 2023 successfully completed

The liabilities side of the balance sheet as at 31 Dec. 2023 was characterised by a 4.0% increase in **financial liabilities - AC** to EUR 13.9bn (vs. 31 Dec. 2022: EUR 13.4bn). The 13.1% increase in **customer deposits** (excl. TLTRO III) to EUR 5.1bn as at 31 Dec. 2023 also contributed to this, with their share of the overall funding mix increasing further to 37.1% at year-end (31 Dec 2022: 36.2%). With the three bonds issued last year - a green senior preferred and one public and one mortgage covered benchmark bond - the refinancing programme of HYPO NOE Landesbank for 2023 was implemented as planned due to continued strong investor demand.

## Outlook

Despite a wide range of challenges such as the ongoing armed conflict in Ukraine and the flare-up of crises in the Middle East, as well as increasingly difficult conditions for commercial property developers in particular, HYPO NOE Group achieved an outstanding result in the 2023 financial year. The Group's diversified business model successfully mitigated an anticipated downturn in the property market during the year, in particular by providing financing solutions to public and quasi-public sector clients and not-for-profit housing associations, which are generally very defensive and solidly capitalised. The business model, with its focus on low-risk infrastructure and residential housing, proved its worth once again.

The HYPO NOE Group's strategy is based on organic growth in the core business, the systematic expansion of digital solutions - especially in the mortgage segment - and a further increase in profitability. Rising administrative expenses due to high inflation will be countered by further efficiency gains and process optimisation as well as by sharpening the business model while maintaining the risk-conscious, sustainable growth path. The State of Lower Austria as the Group's 100% owner with a long-term orientation supports the consistent implementation of this strategy.

The complete Annual Report 2023 is available to download at [ir.hyponoe.at/en](https://ir.hyponoe.at/en).

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## HYPO NOE Landesbank für Niederösterreich und Wien AG

HYPO NOE Landesbank is the largest and oldest-established of Austria's state mortgage banks<sup>1</sup>, and has served as a dependable commercial bank, stable state bank and specialist mortgage bank for more than 130 years. Based on the foundations of its strong position in the capital region of Lower Austria and Vienna, the Bank operates primarily in Austria and Germany, as well as in selected markets in the European Union.

**For further information, please contact the Investor Relations team:**

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<sup>1</sup> By total assets (according to half-year financial report 2023 or consolidated financial statements 2022) and date of establishment